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FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

**MINISTRY OF FINANCE**

*The World Bank  
Ethiopia Country Office  
Addis Ababa*

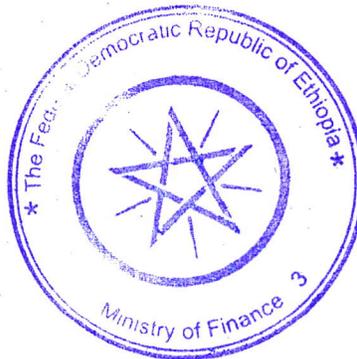
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Ref. No  
ቀን 5 FEB 2026  
Date

*Dear Sir,*

**Subject:- Sub-mission of EFY 2017 Ethiopia Human Capital Operation-  
Investment Project Financing (HCO-IPF) Annual Audit Report**

Attached to this letter please find the Annual Audit Report of Ethiopia Human Capital Operation Investment Project Financing (HCO-IPF) for your consideration and sunsequent action.

Sincerely Yours



*Degu Lakew*  
Degu Lakew  
Channel One Programs  
Coordinating  
Department Head

**C.C:-**

- Channel one Programs Coordinating Department (CoPCD)
  - HCO, FM Team
- MoF



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Federal Democratic Republic of Ethiopia  
Office of the Federal Auditor General



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TIME



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VALUE



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EFFICIENCY

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Ref No: OFAG-2.2/1178

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Date: 03/02/2026

**Ministry of Finance**

**Channel One Programs Coordinating Directorate (COPCD)**

**Addis Ababa**

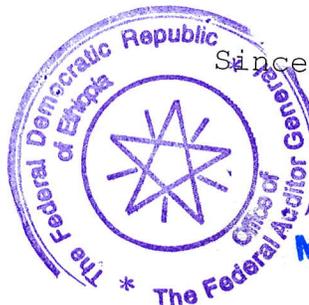
Re: Submission of the 2017 EFY HCO-IPF Annual audit report

It is to be recalled that the Ethiopian Government and the Development Partners (including IDA) have reached an agreement regarding the annual audit of Human Capital Operation-Investment Project Financing (HCO\_IPF) project annual audit to be carried out and a summarized audit report to be submitted to MoF by the Office of the Federal Auditor General.

We have, therefore, attached here with 29 pages of the 2017 EFY HCO\_IPF Annual audit report.

We welcome any enquiries on the audit report.

Sincerely yours



*Meseret Damtie*

**Meseret Damtie  
Auditor General**



INDEPENDENT AUDITOR'S REPORT ON THE PROJECT FINANCIAL STATEMENTS  
OF THE MINISTRY OF FINANCE OF THE FEDERAL DEMOCRATIC REPUBLIC OF  
ETHIOPIA, HUMAN CAPITAL OPERATION-INVESTMENT PROJECT FINANCING

We have audited the accompanying Operation Financial Statements of Human Capital Operation-Investment Project Financing component of the Ministry of Finance of the Federal Democratic Republic of Ethiopia for the year ended 7 July 2025, which has been financed by IDA Financing agreements IDA E206-ET.

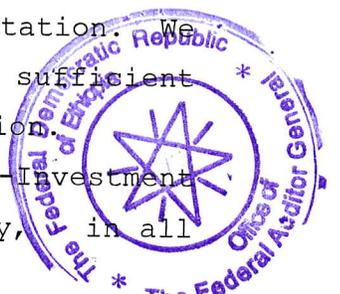
The preparation of the Project Financial Statements (PFSs) is the responsibility of the Ministry of Finance. This audit is a special purpose audit for Human Capital Operation-Investment Project Financing whose terms of reference are those given in the Terms of Reference for the Ethiopian human capital operation Investment Project Financing. These Terms of Reference include, inter alia, our responsibility to express an opinion on the Project Financial Statements based on our audit and report on material inappropriate expenditure and other pertinent matters.

We conducted our audit in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants with special reference to ISA 800 and the World Bank relevant Guidelines for the World Bank financed projects.

These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. Our audit includes examining on a sample test basis of the evidence supporting the amounts and disclosures in the Financial Statements.

Our audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Project /human capital operation-Investment Project Financing/ Financial Statements present fairly, in all



material respects, the financial position as at 7 July 2025 and the cash receipts and disbursements for the year then ended of the Ethiopian Human Capital Operation-Investment Project Financing component /Human Capital Operation/ of the Ministry of Finance of the Government of the Federal Democratic Republic of Ethiopia which were prepared on a modified cash basis and in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

In addition, in our opinion, in all material respects:

- During the year, all external financing has been used in accordance with the conditions of the relevant financing agreements and only used for the purposes for which the financing was provided; except for the matter disclosed in the management letter.
- Counterpart funds have been provided and used in accordance with the relevant financing agreements and only for the purposes for which they were provided.
- Goods, work and services financed under the Project have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement policies and procedures;
- The necessary supporting documents, records and accounts have been maintained in respect of all project activities, including expenditures /transfers reported. In addition, the financial report issued agreed with the underlying books of accounts except for the matter disclosed in the management letter.
- Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements, and funds disbursed out of the accounts were used only for the purpose intended in the financing agreement; except for the matter disclosed in the management letter
- National laws and regulations have been complied with and that the financial and accounting procedures approved for the



Project were followed and used; except for the matter disclosed in the management letter

- Financial performance of the project was satisfactory; and
- Assets procured from project funds existed and there was verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement except for the matter disclosed in the management letter.



GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
ETHIOPIA HUMAN CAPITAL OPERATION  
PROJECT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF  
7 JULY 2025.

7 July 2025

Birr

	<u>Notes</u>	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash balances	3	901,597,067.00
Advances	4	<u>5,349,769.00</u>
Total current Assets		<u>906,946,836.00</u>
<u>CURRENT LIABILITIES</u>		
Account Payable	5	<u>26,670,727.00</u>
NET CURRENT ASSETS		<u>880,276,109.00</u>
ACCUMULATED FUND		<u>880,276,108.00</u>



MINISTRY OF FINANCE  
GOVERNMENT OF FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA, HCO  
CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 7, JULY 2025

	<u>For the year</u>	
	<u>ended 7 July 2025</u>	
	<u>Note</u>	<u>Birr</u>
Opening Balance		90,220,725.00
<u>Prior year adjustment</u>		22.00
<u>HCO Financing</u>		
From IDA E206-ET		1,450,723,909.32
Gain on foreign Exchange		65,354,714.25
Total Fund Available		1,606,299,370.17
HCO project Expenditure		<u>726,023,261.91</u>
Total Project Expenditure		726,023,261.91
Excess of Financing Over expenditure		880,276,108.26

Note:

1. Expenditure of Bank Service charge amounting ETB 7,406,431.65 is included in this report.



MINISTRY OF FINANCE-HUMAN CAPITAL OPERATION  
STATEMENT OF FUND FLOW FOR THE YEAR ENDED JULY 07/2025  
DOLLAR ACCOUNT NO. 0100101300613

For the year ended		7 JULY 2025
Account Number		<u>0100101300613</u>
Depository Bank		NBE
Address		Addis Ababa, Ethiopia
Currency		USD and Birr
	<u>Amount in USD</u>	<u>Amount in Birr</u>
OPENINIG BALANCE	654,870.00	37,569,957.39
Fund Received From:		
Int. Development Association IDA E206-ET	<u>11,294,546.20</u>	<u>1,450,723,909.32</u>
 Total	 <u>11,949,416.20</u>	 <u>1,488,293,866.71</u>
Deducted –Transfer and Expenditure		
Transfer to Birr account-	5,943,000.00	740,113,142.60
Bank Service Charge	--	--
Total transfer and Expenditure	<u>5,943,000.00</u>	<u>740,113,142.60</u>
Closing balance	6,006,416.20	813,535,438.36
Add gain on foreign exchange rate	-	<u>65,354,714.25</u>
Closing balance after Gain on foreign exchange	<u>6,006,416.20</u>	<u>813,535,438.36</u>

Note:-

The Closing exchange rate used for ending balance (July 7/2025) is 1USD = 135.4444 ETB.



Government of Federal Democratic Republic of Ethiopia  
MINISTRY OF FINANCE-Human Capital Operation  
Birr ACCOUNT NO. 0100101040736  
For the year ended 7 July, 2025

	BIRR
OPENING BALANCE	6,500,041.70
Add :Transfer from Special Account:-	
Transfer from Pooled Special Account	739,538,365.17
Fund Available for use:-	<u>746,038,406.87</u>
Less:- Transfer and Expenditure	
Transfer to Regions:-	
Tigray	17,144,314.00
Afar	17,005,112.00
Amhara	45,054,429.00
Oromia	84,285,479.00
Somale	25,362,131.00
Benshangul Gumuz	12,424,780.00
Sidama	16,194,480.00
SWEPR	15,225,514.00
CER	21,108,264.00
SER	23,068,378.00
Gambela	14,617,479.00
Harari	13,391,488.00
Dire Dawa	13,937,778.00
Addis Ababa	<u>22,198,773.00</u>
REGIONAL TOTAL	<u>341,018,399.00</u>
Transfer to Federal Implementers:	
Federal Public Procurement and Property Authority (FPPPA)	59,114,858.00
Transfer to Federal Ethics and Anticorruption Commission (FEACC)	14,029,240.00
Transfer to Environment Protection Authority /EPA/	7,824,000.00
Transfer to Ethiopia Statistical Service (ESS)	26,267,926.00
Transfer to Ethiopian Institute of Ombudsman (EIO)	9,961,485.00
Transfer to Ministry of Education (MOE)	95,199,000.00
Transfer to Ministry of Health (MOH)	15,000,000.00
Transfer to Ministry of Agriculture (MOA)	14,678,969.00



Transfer to Ministry of Water and Energy (MOWE)	3,700,000.00
Transfer to Office of Federal Auditor General (OFAG)	21,500,000.00
Transfer to MoF	101,000,000.00
Transfer to ACSO	5,500,000.00
Transfer to MOWSA	11,000,000.00
Transfer to MOPD	7,000,000.00
Total transfer	732,793,877.00
Expenditure	-
Bank Services Charges	6,831,632.72
Total transfer & expenditure	<u>732,793,877.00</u>
Closing balance	<u>6,412,897.15</u>

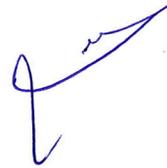
Note:-The Closing exchange rate used for ending balance (July 7/2025) is 1USD=135.4444



MINISTRY OF FINANCE

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA-HUMAN  
CAPITAL OPERATION (HCO) DECLARATION OF NON-PROCUREMENT OF  
MATERIAL ASSETS FOR THE YEAR ENDED 7, JULY 2025

We hereby declare that there were no procurements acquired or procured to date that worth (1) works, estimated to cost fifty million dollar equivalent or more per contract; (2) goods, estimated to cost thirty million dollar equivalent or more per contract; (3) non-consulting services, estimated to cost thirty million dollar equivalent or more per contract; (4) consultant's services, estimated to cost fifteen million dollar equivalent or more per contract with the project funds financed by donors.



MINISTRY OF FINANCE GOVERNMENT OF THE FEDERAL DEMOCRATIC  
REPUBLIC OF ETHIOPIA-HUMAN CAPITAL OPERATION NOTES TO THE  
PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 7, JULY 2025

1. BACKGROUND

With the objective of improving learning outcomes and nutrition services for girls and boys, and strengthening service delivery and accountability, in all regions including areas affected by conflict, droughts and high levels of refugees, the Government of Ethiopia and International Development Association /IDA/ signed assisting in Financing for human capital operation on 25 July 2023. This Financing Agreement has two parts, the Program and the project which jointly referred as the "Operation". The operation is implemented by MoF.

Project /IPF/: It is a Grant portion of the operation that aim to improve human capital outcomes with a particular focus on areas affected by conflict, droughts, and high levels of refugees, and to provide technical assistance and capacity building support for strengthening systems and delivery of quality services, all through the financing of goods, consulting services, non-consulting services, Training and Operating Costs, namely.

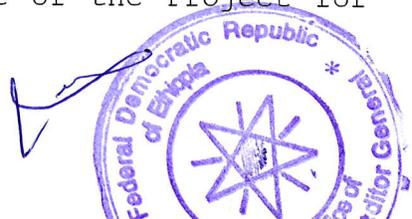
2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project which are consistent with those applied in the preceding period are stated below:

a) BASIS OF PREPARATION:

i) These Financial Statements have been prepared based on a modified cash basis in accordance with the accounting policy of the Government of the Federal Democratic Republic of Ethiopia.

ii) The Operation Financial Statement of the Project for reporting consolidated transactions.



b) CURRENCY:

These financial statements are presented in birr. Transactions in foreign currency are converted into birr at the approximate rate of exchange prevailing at the date of the transaction.



Ministry of Finance  
Government of Federal Democratic Republic of Ethiopia  
Human Capital Operation  
Notes to the consolidated Financial Statements  
7, July 2025

	Birr
• Cash on hand and at bank	
Balance in Dollar account No. 0100101300613	813,535,438.36
Balance in Birr account No. 0100101040736	<u>6,412,897.15</u>
Balance at Bank	
MOF	819,948,335.51
Balance at Implementer:	
Cash on hand	85,751.21
Cash at bank	<u>81,562,980.14</u>
Total Cash Balance	<u>81,648,731.35</u>
	<u>901,597,066.86</u>
TOTAL	
• Advances	
Tigray	28,465.48
Afar	-
Amhara	6,778.02
Oromia	109,026.02
Somali	-
Benshangul	-
Sidama	240,339.89
SWEP	15,730.19
CER	726,669.04
SER	177,914.24
Gambela	-
Harari	173,682.19
Dire Dawa	-
Addis Ababa	91,997.83
FPPPA	-
FEACC	110,027.60
EEPA	199,153.00
ESS	2,905,723.60



EIO	-
MOE	-
MOH	66,283.43
MOA	-
MOWE	48,400.00
OFAG	268,791.41
MOF-EMCP	6,499.25
MOF-COPCD	174,287.79
ACSO	-
TOTAL	<u>5,349,768.98</u>

3.Accounts Payable

Tigray	334,403.76
Afar	-
Amhara	20,914.24
Oromia	32,2305.59
Benshangul	51,871.88
Sidama	29,798.28
SWER	560.11
CER	835,171.92
SER	7,757.02
Gambella	-
Dire Dawa	-
Harari	333,260.00
Addis Ababa	864,061.78
FPPPA	-
FEACC	3,491,117.92
EPA	28,798.70
EFCC	-
ESS	130,254.93
EIO	463,299.96
MOE	-
MOH	17,115.29
MOA	-



MOWE	17,223.00
OFAG	20,263.00
MOWSA	1,774,925.89
ACSO	-
MOPD	132,023.28
MOF-COPCD	<u>18,085,675.18</u>
TOTAL	<u>26,670,726.91</u>
Total Ending balance	<u>880,276,108.92</u>



Ministry of Finance  
Government of Federal Democratic Republic of Ethiopia  
Human Capital Operation  
Note to the Consolidated Financial Statements  
At 07, July 2025

7. Expenditure of IPF

Personal Services	185,484,566.01
Goods and Services	527,680,950.04
Fixed Assets	<u>12,857,745.93</u>
Total	<u>726,023,261.91</u>

